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SUBJECT: THE USG'S ANTI-CORRUPTION STRATEGY IN IRAQ:
PROGRESS REPORT

REF: A. BAGHDAD 101
[1](#)B. BAGHDAD 393
[1](#)C. BAGHDAD 329
[1](#)D. BAGHDAD 240
[1](#)E. BAGHDAD 1235
[1](#)F. BAGHDAD 1528
[1](#)G. BAGHDAD 1495
[1](#)H. BAGHDAD 1176 ET AL

SUMMARY

[1](#)1. (SBU) Since the submission of our anti-corruption (AC) strategy, aimed at strengthening Iraq's AC regime, an array of USG agencies have continued to work to implement it. Our dialog with the GOI on AC issues centers on promoting Iraq's compliance with the United Nations Convention Against Corruption (UNCAC), as does our assistance to the Commission on Integrity (COI) and Council of Representatives (COR) to reform Iraq's legal framework. USG capacity-building efforts aimed at Iraq's AC institutions are extensive, and our provincial-level engagement on AC is expanding. Our AC efforts include numerous public diplomacy activities, while USAID, under its Tatweer program, has taken the lead on various AC-related capacity-building and economic reform initiatives. Paras 16 - 19 contain metrics, along with baselines and targets covering 2008-11, to be used in assessing the impact of our AC efforts on Iraq's performance.
END SUMMARY.

OVERVIEW

[1](#)2. (SBU) Ref A, submitted in January, outlines a long-term USG strategy for supporting the GOI's efforts to develop the capacity to combat effectively the widespread corruption plaguing Iraq. The elements of that strategy center on two broad objectives: (a) promoting Iraq's compliance with the United Nations Convention Against Corruption (UNCAC), which the GOI ratified in 2008 and which imposes on states-parties the requirement to establish a strong, wide-ranging anti-corruption regime, and (b) fostering economic reform so as to reduce opportunities for corruption. The purpose of this message is to provide a progress report on the implementation of the twelve action items contained in our anti-corruption (AC) strategy since its submission six months ago.

PROMOTING COMPLIANCE WITH UNCAC

[1](#)3. (SBU) ACTION ITEM: As part of our dialog with senior GOI officials on AC issues, underscore the importance of achieving compliance with UNCAC requirements. We also need to highlight for the GOI at all levels USG efforts to combat corruption by American officials and others to counter any

perceptions by Iraqis that the USG presses them on corruption but ignores abuses by its own citizens and firms.

STATUS: ACCO has taken the lead on this item, using its expanding contacts with the heads of the principal AC institutions -- Commission on Integrity (COI), Board of Supreme Audit (BSA), corps of Inspectors General (IGs) -- and other senior officials to review highlights of the UNCAC and urge compliance. Other elements of the U.S. Mission in Baghdad, civilian and military, have also promoted UNCAC compliance in their dialog with upper-echelon GOI officials. To drive home to Iraqi contacts the USG's commitment to bringing corrupt USG officials to account for corruption, ACCO has widely distributed materials issued by the USG's Special Inspector General for Iraq Reconstruction (SIGIR), in particular, SIGIR's list of U.S. officials and others convicted on corruption charges in U.S. courts as a result of SIGIR's investigations into implementation of USG-funded reconstruction projects in Iraq (see ref. B for GOI reaction to SIGIR material).

14. (SBU) ACTION ITEM: Institute periodic consultations with the Joint Anti-Corruption Council (JACC) and affiliated AC bodies to identify UNCAC requirements and assess progress toward compliance.

STATUS: ACCO and other USG Reps -- MNSTC-I among them -- meet QSTATUS: ACCO and other USG Reps -- MNSTC-I among them -- meet regularly with representatives of the three AC bodies (COI, BSA, IGs) represented in the JACC as well as with the latter's chairman, Council of Ministers Secretary General Ali Alaq; the UNCAC dossier is typically on the agenda in our discussions (see ref. C for sample report of our consultations). ACCO has also attended workshops and

conferences designed to familiarize Iraqi AC officials with UNCAC requirements; UNDP and UNODC have organized these gatherings under an ACCO-funded program. To promote AC-related cooperation under the bilateral Strategic Framework Agreement, ACCO has proposed to the JACC chairman, Ali Alaq, the establishment of a joint JACC/ACCO working group; Alaq has our request under consideration.

15. (SBU) ACTION ITEM: Assist the COI and Council of Representatives (COR -- parliament) in reforming Iraq's existing legal framework -- including repeal of Article 136(b) of the Iraqi Criminal Procedure Code -- so that it is fully compliant with UNCAC requirements. The COI is mandated to develop AC-related draft legislation for the COR's action, and hence both institutions should be the focus of our intervention in this respect.

STATUS: ACCO has used its periodic consultations with the COI and the COR's Integrity Committee chairman, Sheikh Sabah Al-Saidi, to promote reform of Iraq's AC-related legal framework as required under UNCAC -- including, inter alia, repeal of Article 136(b), the controversial Criminal Code provision that authorizes a Minister to block the prosecution of officials in his Ministry for corruption and other crimes (see, for example, ref. D). In addition, ACCO, working through POL/CLA, has funded a project, implemented by the University of Utah, that involves, inter alia, providing legislative drafting assistance to the COR on UNCAC-related measures. At present, though, prospects for the COR's early passage of various pending AC-related bills (i.e., omnibus AC law, reform of COI, BSA, IGs, upgrading of Iraq's anti-money laundering (AML) are uncertain, as are prospects for repeal of 136(b). The uncertain prospects are due in large part to the slow pace of the legislative process generally; in the case of 136(b) repeal, a key factor is opposition within the Council of Ministers to relinquishing the powers granted by this provision. However, in a positive development, knowledgeable sources recently claimed to us that Prime Minister Nouri Al-Maliki had prevented now-resigned Trade Minister Abdel Falah Al-Sudani from using 136(b) to prevent prosecution of senior officials in his Ministry on corruption charges (ref. E).

¶6. (SBU) ACTION ITEM: Engage in capacity-building with the COI's three principal AC bodies (BSA, COI, IGs), the JACC, the judiciary, the Central Bank of Iraq (CI), and the COR's Integrity Committee so that they are capable of implementing an effective AC regime as provided for under UNCAC.

STATUS: An array of USG agencies are engaged in AC-related capacity building efforts, i.e., identification of needs, technical assistance, mentoring, exchanges, and workshops (see ref. F for overview of AC Programs). Among these agencies, USAID, under its Tatweer program, continues to provide extensive training to IGs and their staffs; in 2008, nearly 2,000 IG personnel received training, and in 2009 the ongoing USAID/Tatweer training features increasingly complex courses in such areas as Advance Auditing, Procurement, and Human Resources. Other 2009 innovations in the USAID/Tatweer program include, inter alia, working with the Association of Inspectors General (AIG) to launch an IG website with a public site generating public support for AC efforts, and a secure site for use by IGs thereby providing them with a professional audit management tool. USAID/Tatweer also plans to introduce a "train the trainer" component for IG personnel.

The DOJ, under its INL-funded ICITAP program, continues to train COI personnel in areas ranging from development of a Qtrain COI personnel in areas ranging from development of a national training plan to the conduct of polygraph testing to the establishment of a computerized system for tracking casework (GOCASE system). BSA personnel have benefited from GAO training programs in the U.S. On the military side, MNSTC-I maintains robust capacity-building programs for the Defense and Interior Ministries' Inspectors General and staffs. The Embassy's Rule of Law office oversees various programs, administered by DOJ/ICITAP, in particular, designed to develop the capacity of the judiciary to process corruption-related and other cases. USAID/Tatweer, in support of the USAID Legislative Strengthening Project, plan an initiative with the COR's Integrity Committee aimed at developing its oversight capacity of the Ministries. This project will also strengthen COR compliance with disclosure and transparency laws. At present, there are no USG programs targeting the JACC as such; the Council itself has only a miniscule executive staff (three employees) and serves primarily as a framework for consultations by the constituent organizations listed above.

Combating money laundering is a crucial element of any state's AC regime, and Treasury, through its cooperation with the CBI and COI as well as private banks, is playing a growing role in promoting Iraq's AML capacity. Among the initiatives by Treasury: providing technical assistance to the CBI's Money Laundering Reporting Office MLRO) and conducting workshops on AML for COI investigators and investigating judges. The Embassy's Treasury Attache has arranged a visit to Iraq, tentatively scheduled for late July, by a USG Financial Sector Assessment Team (FSAT) to consult with the CBI on its AML regime. (Ref G provides an update on the GOI's AML-related cooperation with other donors -- UNODC, in particular.)

¶7. (SBU) ACTION ITEM: Promote AC efforts at the provincial and local levels, maintaining contact with sub-national offices of BSA, COI, and IG as well as with local authorities, ensuring that local government plans feature an AC component. UNCAC calls for a vigorous nationwide AC effort, with authorities at all levels fully engaged.

STATUS: Provincial and local governments enjoy increased authority under the federalism scheme enshrined in the Provincial Powers Law (PPL) of 2008, and USG assistance -- spearheaded by the PRT's and their military counterparts -- is expanding accordingly so as to enable sub-national authorities to use their enhanced powers effectively. In June, USAID/Tatweer launched a new provincial-level program, initiating AC training programs in provincial ministerial offices in four provinces. As this initiative develops, it will cover all 18 provinces and feature six training teams

working with not only provincial ministerial offices but also the Provincial Councils (legislative bodies) elected in January. USAID's Local Governance Project is supporting improved transparency and accountability at the provincial level through the roll-out of the Governorate Accounting and Provincial Tracking System (GAPTIS). This system helps provincial governments track progress on projects from feasibility, to payment of contractors and on to the final acceptance of the project. Indicative of the growing commitment to AC by sub-national authorities, various Councils have established Integrity Committees. The ACCO-funded UNDP/UNODC program cited above includes a provincial capacity-building component. In addition, ACCO has submitted a proposal for another sub-national AC project, including, inter alia, assistance to each Provincial Council to establish the official gazette mandated by the PPL. As part of its provincial outreach effort, ACCO has also submitted proposals under MNF-I's CERP program to provide badly-needed office equipment to COI's provincial offices.

18. (SBU) ACTION ITEM: Conduct a multi-pronged public diplomacy effort to raise Iraqis' awareness of corruption's negative impact on the country's politics, economy, and society, and also assist the GOI in developing public outreach programs. UNCAC envisages an active public awareness campaign by governments to build popular support for AC initiatives.

STATUS: The Embassy's Public Affairs Section (PAS), in coordination with ACCO, has undertaken numerous initiatives, among them: organizing AC investigative training for journalists and GAO presentation to IG personnel, working jointly with Mission Information Support Team (MIST) to assist the COI's public affairs unit, e.g. providing AC materials for television spots, and arranging local and Western media interviews for ACCO. PAS and ACCO will collaborate on an AC conference for Iraqi NGO's planned for August/September. ACCO routinely distributes to Iraqi contacts AC-related public diplomacy materials in Arabic, e.g., items contained in the America.gov website. ACCO has Qe.g., items contained in the America.gov website. ACCO has expanded its public speaking activities, recently giving presentations at a conference hosted by the Defense Ministry's IG, a workshop for Iraqi contractors hosted by MNF-I, and USAID/Tatweer-sponsored senior leader AC seminar. ACCO also addressed a recent AC conference for Iraqi security force IG personnel hosted by MNSTC-I. The ACCO-funded UNDP/UNODC program cited above includes assistance to Iraq's anti-corruption bodies in mounting a sustained public awareness campaign on AC. As instructed by the Commanding General, MNF-I is developing material for an AC public outreach initiative.

19. (SBU) ACTION ITEM: Promote the introduction of an AC component in Iraqi schools at all levels and assist the Ministry of Education and the COI in devising an AC element for schools. UNCAC envisages that states, as part of their public awareness campaigns on AC, will include AC material in schools' curricula.

STATUS: The COI's Education and Public Affairs Office has the lead in promoting AC in Iraqi schools, but so far has made limited progress due to lack of coordination with the

Education Ministry; a recent meeting of COI and Ministry officials, attended by ACCO, suggests the two sides' recognition of the need for improved collaboration. PAS and ACCO have consulted in the past with COI on possible assistance in this area and plan follow-up discussions with both COI and the Education Ministry in order to crystallize a project proposal.

PROMOTING ECONOMIC REFORM

110. (SBU) ACTION ITEM: Assist the GOI in standardizing and making transparent the tender and procurement process for all spending ministries.

STATUS: USAID/Tatweer has taken the lead on this item, working with officials at the Oil Ministry's State Company for Oil Projects (SCOP) to upgrade procurement and contracting processes in accordance with best international practices. As part of its effort, USAID/Tatweer is advising SCOP officials on development of a SOP manual for procurement procedures. It is also working with other offices in the Oil Ministry to reform procurement practices. The Ministry of Planning with USAID/Tatweer assistance has developed a Contractor Classification Application (CCA) that is a web-based software application that allows private firms to register on-line and submit a contractor application so that they may do business with the Government of Iraq. The new Contractor Classification Application will help in reducing corruption through issuing contractor identifications by the CCA which are virtually impossible to forge. Another USG actor in this area is DOD, whose Task Force for Business Support Operations (TFBSO) assists GOI institutions as well as local private firms on procurement and contracting operations.

¶11. (SBU) ACTION ITEM: Assist the GOI in improving management of the Public Distribution System (PDS) and the Social Safety Net (SSN) programs.

STATUS: These two nationwide social welfare programs -- one involving food allotments supplied by the Trade Ministry (PBS) and the other payments by the Labor and Social Affairs Ministry (SSN) -- are generally regarded as rife with corruption. The Embassy, led by the Economic Section, continues to urge reform of the PDS in its consultations with Iraqi officials in the Agriculture and Trade and Investment Working Groups established under the Strategic Framework Agreement. The Economic Section and USDA representatives, in particular, have used a recent corruption scandal over PDS at the Trade Ministry to reinforce our push for PDS reform (see ref. H for background on scandal). The Embassy is also supporting an initiative by the World Food Program (WFP) to get the GOI to allow the WFP to take over PDS procurement for the most vulnerable Iraqi recipients. Under this scheme, the WFP would take responsibility for as much as 30 percent of the offshore procurement of key commodities in an effort to reduce siphoning off of PDS resources due to corruption and ensure that the poorest Iraqis actually receive their rations. To date, however, the GOI has been largely resistant to our and other donors' lobbying on PDS reform.

As for the SSN program, USAID/Tatweer has taken the lead, working with the Labor and Social Affairs Ministry (MOLSA) to install a new electronic system that would improve management of the program's data base of beneficiaries so as to reduce fraudulent and duplicate payments. The World Bank estimates that, under MOLSA's current SSN payment system, 30 percent or more of SSN benefits are siphoned off through irregularities.

¶12. (SBU) ACTION ITEM: Complete the installation of a financial management information system (IFMIS).
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STATUS: USAID's Economic Growth has the lead on the installation of IFMIS, a web-based system designed to modernize budget execution by the GOI's over 250 "spending units," i.e., elements of the GOI (e.g., an office in a given ministry) identified in the GOI's overall budget. Treasury has also provided IFMIS-related technical assistance to the ministries. IFMIS, which replaced an out-of-date manual system, is now essentially installed within the GOI's ministries and other institutions. While some elements in the GOI have expressed reservations in the past about IFMIS, in January the Finance Minister issued an instruction requiring all GOI institutions to use the system.

¶13. (SBU) ACTION ITEM: Work to ensure the GOI installs functioning oil meters and automated accounting systems at all critical production and distribution points within Iraq.

STATUS: With assistance from USAID/Tatweer, the Oil Ministry

has made progress on this item, as meters and automated accounting systems are being installed at most oil production and distribution points within Iraq. The installation of such equipment is a key factor in the declining level of corruption in the oil sector, with reduced opportunities for officials to engage in corrupt practices, e.g., permitting oil smuggling in return for bribes.

¶14. (SBU) ACTION ITEM: Encourage laws and regulations that bring transparency to the distribution of revenues from Iraq's natural resources.

STATUS: Various elements of the U.S. mission in Iraq, the Economic section, in particular, provide such encouragement to the GOI. With USG support, Iraq has applied to join the Extractive Industry Transparency Initiative (EITI) and attends EITI meetings. The GOI will require technical assistance to achieve compliance with the obligations imposed on full-fledged EITI members in terms of developing a transparent system for the management and expenditure of the country's oil-based revenues.

MEASURING THE IMPACT OF OUR AC EFFORTS ON IRAQ'S PERFORMANCE

¶15. (SBU) In an effort to assess the impact of the USG's AC efforts in Iraq, this message concludes by proposing four metrics with baselines and targets for 2008-11. These metrics include an overall yardstick to measure Iraq's progress -- compliance with UNCAC -- plus ones covering the three basic elements of anti-corruption efforts: accountability (existence of laws against corrupt practices), enforcement (sanctioning violations of laws), and transparency (public's access to information regarding government's actions).

¶16. (SBU) Metric 1: Overall: Compliance with UNCAC (adopted from Embassy's Mission Strategic Plan).
2008 Baseline: GOI ratifies UNCAC.
2009 Target: GOI issues updated AC strategy, consistent with UNCAC.
2010 Target: GOI in compliance with at least half the requirements of UNCAC.
2011 Target: GOI in compliance with all major provisions of UNCAC.

¶17. (SBU) Metric 2: Accountability: Status of Iraq's AC-Related Legal Framework.
2008 Baseline: Iraq's legal framework contains numerous gaps.
2009 Target: Draft AC laws are finalized.
2010 Target: Omnibus AC law and Long-pending laws to strengthen COI, BSA, IG are enacted.
2011 Target: Additional AC laws (e.g., new AML measure) enacted and 136(b) is either repealed or amended to limit its use; no major remaining gaps in legal framework.

¶18. (SBU) Metric 3: Enforcement: Number of Convictions (Cases) Nationwide for Corruption.
2008 Baseline: 97 Convictions (per COI's annual report for 2008).
2009 Target: 120-150 Convictions.
2010 Target: 200 Convictions.
2011 Target: 250 Convictions.

¶19. (SBU) Metric 4: Transparency: Public's Access to Government Information.
2008 Baseline: Iraqi public's access to government information is severely limited.
2009 Target: The GOI's revised national AC strategy enshrines enhanced public access to government information as a key objective.
2010 Target: All new laws and regulations are gazetted at national or provincial levels, as applicable.
2011 Target: Enactment of a Freedom of Information Act.

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